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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001286

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SUBJECT: NIGERIA: CLOSER DIALOGUE WITH THE OIL COMPANIES

Classified by Ambassador Howard F. Jeter; reasons 1.5 (b) and (d).

1.(C) SUMMARY: On July 15, Ambassador Jeter hosted the first "Three Plus Three" meeting of the Managing Directors of the three major U.S., U.K. and Dutch oil companies together with the three corresponding Chiefs of Diplomatic Missions in Nigeria. ExxonMobil was unable to attend but the other two expressed appreciation for this meeting and asked that the group meet again in August. Prior to that meeting, the Ambassador and the British High Commissioner will raise mutual concerns on oil theft and insecurity in Warri with President Obasanjo. END SUMMARY.

2.(C) The Embassy organized and hosted July 15 a meeting with the Managing Directors of Anglo-Dutch Shell and ChevronTexaco (CTX), the British High Commissioner and the Dutch Charge d'Affaires. Shell's Director for External Affairs, Precious Omuku accompanied the Shell MD and the CTX MD was joined by visiting Corporate GM for Security Scott Taylor and International Relations Manager Cedric Lavington -- both based at CTX Headquarters in San Francisco. Although invited, ExxonMobil was unable to attend. The British High Commission's Economic and Political officers also attended as well as Embassy Abuja's RSO, RAO, DAO, Economic Counselor, Economic(Energy) Officer and Corporate Responsibility Officer (CRO).

3.(C) After introductions by the Ambassador, CRO briefed the group on the Voluntary Principles on Security and Human Rights and plans for the Principles' implementation in Nigeria, starting with an intensified dialogue with the GON. Specifically, CRO pointed to the desired October 2003 conference among local stakeholders -- the companies, Government of Nigeria agencies, and Delta communities -- to launch a formal dialogue on best practices in the Delta.

4.(C) The Ambassador described the inaugural "Three-Plus-Three" meeting as an attempt to strengthen the Embassies' support for the companies and work with them and the GON to improve security and the protection of human rights in the oil producing areas of the Delta. Shell's Managing Director, Ron Van Den Berg then briefed the group on Shell's problem with oil theft from pipelines largely in Delta State, a crime he compared with the drug trade in its ability to produce a large payoff. According to Van Den Berg, the GON has made some progress curbing this large-scale diversion, which had reach as much as 100,000 barrels per day (bpd) by March 2003. Shell is now reporting losses between 5,000 and 30,000 bpd throughout its system, though the Shell MD expressed doubts this lower level would be sustained. He bemoaned the release from jail of suspects arrested with stolen oil, and called on the federal government to take stronger measures against the Abuja-based figures that he alleged were behind this crime. Van Den Berg also expressed hope in attempts to track stolen oil by "fingerprinting" suspect oil shipments showing up at West African refineries outside Nigeria using chemical analysis to determine the precise source of the oil.

5.(C) A discussion then ensued as to how the GON could better protect oil operations of Shell and CTX. CTX's MD Jay Pryor recounted a July 14 meeting company MDs had with President Obasanjo and his senior security staff during which Obasanjo appeared genuinely attentive to the concerns of the oil industry. Scott Taylor of CTX's San Francisco headquarters opined that Obasanjo has become focused on the law-and-order crisis in Warri and seems prepared to take decisive action. The British High Commissioner characterized the Warri crisis as the most serious crisis facing Nigeria today and added that the perceived fraud that marred the April elections in key oil-producing states of Delta, Bayelsa and Rivers further destabilize the political and security environment.

6.(C) The President reportedly asked for the names of the major figures behind the trade in stolen oil, a request to which the Shell MD demurred, saying the identification of the culprits was a responsibility for the government's security services. "Everyone around the President knows the barons

behind the crime," insisted the Shell boss. According to Pryor, the President pledged to commit \$50 million for the purchase of small river boats and other equipment for the army and navy personnel to patrol the waterways of Delta State better. The CTX MD noted, however, that the Presidency seems to lack a comprehensive strategy for restoring security in the Warri area.

7.(C) Prompted by oil companies' concerns over the poor performance of Nigerian police assigned to the Delta, Ambassador Jeter reviewed a proposal he had previously discussed with the MDs. As a way of addressing the severe police training deficiencies, the oil companies could fund improvements to the physical infrastructure of the country's four major police training schools. To complement this assistance, the Embassy would focus part of the existing INL/ICTAP Police Reform program on special human rights and community police training for police deployed to the Delta. The CTX and Shell MDs voiced their support for this collaborative idea.

8.(C) The two MDs encouraged the three Embassies to raise concerns over oil theft and insecurity in Warri with the Presidency. Shell's Van Den Berg specifically asked that we tell Obasanjo "he must stop letting the (oil stealing) barons go." Ambassador Jeter and the British High Commissioner agreed and discussed jointly approaching Obasanjo in the near future. While both Shell and CTX reiterated their opposition to any large-scale GON security operation in the Warri area, they expressed displeasure with the lack of any movement towards restoring security in this area where oil production (over 280,000 barrels per day) has been shut-in since mid-March 2003.

9.(C) Comment: This meeting provided an excellent start for a sustained and closer dialogue with the companies. Post sought to focus this initial gathering on a topic of immediate concern to the companies -- oil theft and security concerns -- but will seek to expand the dialogue to include human rights concerns and community development in future meetings. A likely future agenda topic will be a discussion of the companies' security agreements with the GON and whether these meet the standards set out in the Voluntary Principles. Post would appreciate any suggestions from AF or DRL on items for the August meeting's agenda.
JETER